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PLANNED OIL PIPELINE TO CUT ACROSS MONTANA

By Jan Falstad

TransCanada Corp. is planning to build a 36-inch underground pipeline through Eastern Montana and five other states to carry Canadian crude to U.S. refineries along the Gulf Coast of Texas.

The 1,940-mile pipeline project must first obtain land easements as well as approval from the U.S. Federal Energy Regulatory Commission.

No formal announcement has been made, but Gov. Brian Schweitzer told The Gazette on Wednesday that TransCanada wants to finish the proposed Keystone XL Pipeline by the end of next year.

"This is a big dog. It's a \$7 billion pipeline. It will haul a lot of crude oil," Schweitzer said.

The pipeline would originate at Hardisty, Alberta, run southeast through Saskatchewan and enter Montana north of Malta. The pipeline would be built through six Montana counties: Phillips, Valley, McCone, Dawson, Prairie and Fallon. Then it would cut into South Dakota and go through Nebraska, Kansas, Oklahoma and Texas.

TransCanada is a publicly traded energy company that employs about 3,500 people and earns half its revenues from pipelines and half from energy production. Canada is the eighth-largest oil supplier in the world, with about 2.5 million barrels of production daily. Several pipeline projects are being proposed to haul the oil south to U.S. refineries.

Spokeswoman Shela Shapiro in Calgary, Alberta, said the Keystone XL project is in its early stages and is driven, in part, by the instability in world crude production and pricing.

"Interest in this process by the Alberta producers and Gulf Coast refiners is reflected in the demand for stable, secure supplies of crude oil," Shapiro said.

Exact routes and the terms and conditions of the pipeline will be decided in the coming months, she said. The pipeline would be capable of shipping 750,000 barrels of crude per day from the massive Canadian tar sands fields.

Evan Barrett, the governor's economic-development director, said TransCanada officials already are out surveying Montana land and talking to landowners.

"The odds are extraordinarily high that this will come to fruition," Barrett said. "We don't

see any speed bumps."

However, first TransCanada has to navigate FERC's complicated permitting process.

Under FERC rules, Barrett said TransCanada cannot promise any companies access to the pipeline. It can only solicit bids from interested suppliers in the north and refiners to the south.

"When they get enough interest to make it an economically viable project, they can apply to FERC," he said. "So, it's kind of like an auction."

The application to FERC for what is called an "open season" permit should occur in the next few months, Schweitzer said.

About 250 to 300 miles of the pipeline would run through Montana.

In Kansas, the Keystone XL pipeline would tie into a portion of another pipeline planned from Kansas to Cushing, Okla. Then the TransCanada's pipeline would continue through Oklahoma and end up near crude terminals in Nederland, Texas. These terminals serve refineries in Port Arthur, Texas.

Montana refineries already have their supplies contracted, Barrett said, but there is nothing preventing them from bidding on access to crude from the Keystone XL pipeline.

Other key details, such as the costs of building the Montana leg of the pipeline, the number of construction jobs and the value of tax benefits to the state and local governments, aren't known yet. TransCanada is controlling the release of information, Schweitzer said.